Chief Albert Luthuli Local Municipality
(Registration number MP301)
Annual Financial Statements
for the year ended 30 June 2020

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Annual Financial Statements for the year ended 30 June 2020

General Information

Legal form of entity	Local Municpality
Municipal Demarcation Code	MP301
Executive Mayor	Nkosi D.P
Speaker	Mngomezulu M.W
Chief Whip	Masuku-Sidu L
Mayoral committee	Magagula M.P
	Nkosi S.Z
	Makhubela N.V
	Mnisi-Nkosi N
Councillors	Cindi N.R
	Ginindza S.V
	Dludlu Z.M
	Lubede E.J
	Mbhele J.S
	Motaung R.M
	Mthombeni S.F
	Ngubeni A
	Nkosi A.D
	Nkosi G.J
	Nkosi J.S
	Nkosi V.L
	Nlosi T.J
	Shabangu L.D
	Sikhakhane N.B
	Simelane N.B
	Simelane J.D
	Thomo N.G
	Thabede M.J
	Mthembu M.S
	Malaza M.A
	Nkosi B.G
	Ngwenya R.D
	Nkosi T.S
	Shongwe J.D
	Jele J.J
	Nhlabathi N.C
	Khumalo M.J
	Mkhwanazi H.L.Z
	Zulu G.G
	Ngoma Z.S.G
	Van der Walt L
	Ntjana M.L
	Matshaba M.L
	Hlabathi P.Z
	Zwane F.C
	Ndebele J.C.H
	Nkosi S.P

General Information

	Zulu W Mbuli T.G Mnisi T.G Khoza D.P
Accounting Officer	MS Dlamini
Registered office	28 Kerk Street Carolina Mpumalanga 1185
Business address	28 Kerk Street Carolina Mpumalanga 1185
Postal address	Private Bag X24 Carolina 1185
Grading of Local Authority	Grade 3
Chief Financial Officer (C.F.O)	Mnisi M.G.T
Bankers	Standard Bank of South Africa Limited
Auditors	Auditor-General of South Africa Chartered Accountants (S.A.) Registered Auditors
Attorneys	Guzana Attorneys Mokoena Khulani Attorneys Mohlala Attorneys

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
CIGFARO	Chartered Institute of Government Finance Audit and Risk Officers
VAT	Value Added Tax
EPWP	Expanded Public Works Programme
IPSAS	International Public Sector Accounting Standards
AGSA	Auditor-General South Africa
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
FMG	Financial Management Grant
WSIG	Water Services Infrastructure Grant
INEP	Integrated National Electrification Programme

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for auditing and reporting on the municipality's annual financial statements. The annual financial statements have been audited by the municipality's external auditors and their report is presented on page 7.

The annual financial statements set out on pages 7 to 75, which have been prepared on the going concern basis, were approved by the accounting officer on 30 June 2020 and were signed on by:

Accounting Officer
M.S Dlamini

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2020.

Audit committee members and attendance

The Audit Committee, consisting of independent outside members, meets at least four times per annum as per its approved terms of reference, although additional special meetings may be called as the need arises.

Name of member	Number of meetings attended
Stanley Ngobeni (Professional Accountant, SA Tax Professional, RGA) (Chairperson)	6
Sanele Gumbi (MBA)	4
Siyakhula Simelane CA(SA)	6
Tichoane Zororo (CIA, CISA, CISM, CRMA, CRISC, CGEIT,COBIT Assessor)	1
Obed Thenga (BCOM HONS, CGAP, MFMP)	2
Anil Singh (RGFP, ICMA, MFMP)	2

Audit committee responsibility

The Audit Committee reports that it has complied with its responsibilities arising from Section 166 of the Municipal Finance Management Act and Circular 65 issued by National Treasury. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, and it has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein, except that we have not reviewed changes in accounting policies and practices.

The effectiveness of internal control

Our review of the internal control environment revealed that there has been a room for improvement in the system of internal control of the municipality and reducing qualification issues of previous year. Furthermore, there were several deficiencies in the system of internal control and/or deviations that were reported by the internal auditors and the Auditor-General. However, the Audit Committee noted management's commitment and action plan to correct deficiencies..

In-Year Management and Monthly/Quarterly Report

The municipality did have an effective monthly and quarterly reporting system to the Council as required by the Municipal Finance Management Act (MFMA).

Performance management

The audit committee reviewed functionality of the performance management system and it appears to be somewhat functional, however there is a room for improvement in so far as achievement of planned targets is concerned and submission of portfolio of evidence timeously.

RIsk management

The audit committee is of the opinion that municipality's risk management appears to be effective for the better of the year and material respect, and the municipality did implement a comprehensive risk management strategy and related policies. Management has no sound and effective approach has been followed in developing strategic risk management plans and there is a sense of appreciation of the impact of the municipality's risk management framework on the control environment. There is a room for improvement in so far as fraud prevention

Compliance with laws and regulations

A number of non-compliance with the enabling laws and regulations were revealed by Audit Committee, AGSA, and Internal Audit during the year. Thus there is a room for improvement in so far as establishing an effective system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.

Internal audit

The audit committee is satisfied with the effectiveness of Internal Audit, and recommend that Management and Council should capacitate this unit..

Audit Committee Report

Progress in implementation of AGSA findings from prior year

AGSA recommendations were not fully implemented by management at the time of this report. There is a room for improvement in this regard and the audit committee recommended to the municipality to prioritise the implementation of recommendations by AGSA.

Progress on implementations of Internal audit recommendations

A material number of internal audit recommendations were implemented by management. There is a room for improvement in this regard and thus, Audit Committee recommended to municipality to prioritise the implementation of recommendations by Internal Audit..

Implementations of Audit Committee Recommendations by management

A material number of Audit committee recommendations to management were implemented. There is a room for improvement in this regard and thus, Audit Committee recommended to municipality to fast track the implementation of recommendations by Audit Committee..

Conclusion

The Audit Committee wishes to acknowledge the commitment from Council, management and staff of the municipality. The stability in terms of the political and administrative leadership of the municipality has contributed to these improvements report above. We would also like to thank the Executive Mayor for his support, Councillors, senior management for their efforts and internal audit for their contribution.

_____

Chairperson of the Audit Committee

Date: _____

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2020.

1. Review of activities

Main business and operations

2. Going concern

We draw attention to the fact that at 30 June 2020, the municipality had an accumulated surplus of R 1 302 333 711 (2019: R 1 235 222 722) and that the municipality's total assets exceed its liabilities by R 1 387 034 174 (2019: R 1 319 923 185).

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance .

4. Accounting policies

The annual financial statements have been prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations of such Statements issued by the Accounting Standards Board.

5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
MS Dlamini	South African

Statement of Financial Position as at 30 June 2020

Figures in Rand	Note(s)	2020	2019 Restated*
Current Assets			
Cash and cash equivalents	2	97 774 418	15 911 968
Receivables from exchange transactions	3	48 970 913	57 379 495
Receivables from non-exchange transactions	4	156 176 307	197 059 801
Inventories	5	3 832 585	3 608 678
Investments	6	3 922 116	3 998 516
VAT receivable	7	26 085 655	23 139 991
Operating lease asset	8	548 290	200 969
		337 310 284	**301 299 418**
Non-Current Assets			
Investments	6	409 508	384 683
Investment property	9	35 159 000	35 237 000
Property, plant and equipment	10	1 422 289 219	1 276 764 949
		1 457 857 727	**1 312 386 632**
Total Assets		**1 795 168 011**	**1 613 686 050**
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	219 724 938	183 693 082
Finance lease obligation	12	3 741 109	4 353 604
Unspent conditional grants and receipts	13	78 999 999	-
Provisions	14	13 986 653	11 518 693
Employee benefit obligation	15	879 000	-
Long service award	16	993 000	-
		318 324 699	**199 565 379**
Non-Current Liabilities			
Finance lease obligation	12	1 769 866	5 123 162
Employee benefit obligation	15	8 804 000	10 691 483
Provisions	14	70 637 271	69 715 888
Long service award	16	8 598 000	8 666 951
		89 809 137	**94 197 484**
Total Liabilities		**408 133 836**	**293 762 863**
Net Assets		**1 387 034 175**	**1 319 923 187**
Reserves			
Revaluation reserve	17	84 700 463	84 700 463
Accumulated surplus		1 302 333 711	1 235 222 722
Total Net Assets		**1 387 034 174**	**1 319 923 185**

Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	58 568 519	51 758 478
Rental Income	20	1 944 058	1 296 695
Interest received - consumers	21	60 723 646	53 072 151
Licences and permits	23	155 118	31 438
Other Income	24	1 963 477	2 069 987
Interest received - investment	25	5 616 634	3 476 722
Gain on disposal of assets and liabilities	26	224 711	-
Fair value adjustments	40	1 512 000	-
Total revenue from exchange transactions		**130 708 163**	**111 705 471**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	27	75 180 181	102 113 531
Transfer revenue			
Government grants & subsidies	28	519 097 257	411 182 203
Donations	29	3 358 860	134 854 750
Fines	22	2 125 818	6 387 004
Total revenue from non-exchange transactions		**599 762 116**	**654 537 488**
Total revenue	18	**730 470 279**	**766 242 959**
Expenditure			
Employee related costs	30	(178 495 170)	(165 876 307)
Remuneration of councillors	31	(19 945 299)	(18 504 603)
Depreciation and amortisation	32	(45 677 344)	(48 476 425)
Impairment loss	33	(11 182 563)	-
Finance costs	34	(2 203 253)	(11 898 189)
Debt Impairment	36	(166 870 737)	(102 220 049)
Bulk purchases	37	(84 615 784)	(73 515 473)
Contracted services	38	(99 664 991)	(40 345 947)
Fair value adjustments	40	-	(17 667 840)
General Expenses	39	(54 704 167)	(101 535 671)
Total expenditure		**(663 359 308)**	**(580 040 504)**
		-	-
Surplus for the year		**67 110 971**	**186 202 455**

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	84 700 463	1 025 165 630	1 109 866 093
Adjustments			
Correction of errors	-	23 854 637	23 854 637
Balance at 01 July 2019	**84 700 463**	**1 049 020 267**	**1 133 720 730**
Changes in net assets			
Surplus for the year	-	186 202 455	186 202 455
Total changes	-	186 202 455	186 202 455
Restated* Balance at 01 July 2019	**84 700 463**	**1 235 222 740**	**1 319 923 203**
Changes in net assets			
Surplus for the year	-	67 110 971	67 110 971
Total changes	-	67 110 971	67 110 971
Balance at 30 June 2020	**84 700 463**	**1 302 333 711**	**1 387 034 174**
Note(s)	17		

Cash Flow Statement

Figures in Rand	Note(s)	2020	2019 Restated*
Cash flows from operating activities			
Receipts			
Service charges		18 295 857	46 745 719
Government grants and subsidies		598 097 256	411 182 203
Interest received - investments		5 616 634	3 361 534
Interest income - consumers		60 723 646	1 684 628
Other receipts		5 762 653	9 785 125
		688 496 046	472 759 209
Payments			
Employee related costs		(196 056 943)	(181 693 958)
Suppliers		(206 122 658)	(194 239 578)
Finance costs		-	(1 266 594)
		(402 179 601)	(377 200 130)
Net cash flows from operating activities	42	**286 316 445**	**95 559 079**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(199 684 992)	(87 756 576)
Proceeds from sale of investment property	9	1 304 348	-
Movement in operating lease asset		(347 321)	(62 165)
Movement in Investments		51 574	-
Net cash flows from investing activities		**(198 676 391)**	**87 818 741**
Cash flows from financing activities			
Finance lease payments		(5 504 896)	(3 468 923)
Net increase/(decrease) in cash and cash equivalents		**81 862 450**	**4 271 415**
Cash and cash equivalents at the beginning of the year		15 911 968	11 640 553
Cash and cash equivalents at the end of the year	2	**97 774 418**	**15 911 968**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	99 704 862	33 802 733	**133 507 595**	58 568 519	**(74 939 076)**	52
Rental income	530 208	(530 208)	**-**	1 944 058	**1 944 058**	52
Interest received- consumers	51 778 818	(36 931 099)	**14 847 719**	60 723 646	**45 875 927**	52
Licences and permits	-	-	**-**	155 118	**155 118**	52
Other income	1 447 682	1 723 155	**3 170 837**	1 963 477	**(1 207 360)**	52
Interest received - investment	2 919 606	-	**2 919 606**	5 616 634	**2 697 028**	52
Gain or loss on disposal of assets and liabilities	-	(1 079 638)	**(1 079 638)**	224 711	**1 304 349**	52
Fair value adjustments	-	1 512 000	**1 512 000**	1 512 000	**-**	52
Total revenue from exchange transactions	**156 381 176**	**(1 503 057)**	**154 878 119**	**130 708 163**	**(24 169 956)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	95 372 032	74 641 995	**170 014 027**	75 180 181	**(94 833 846)**	52
Transfer revenue						
Government grants & subsidies	654 422 000	(56 324 744)	**598 097 256**	519 097 257	**(78 999 999)**	52
Public contributions and donations	-	1 700 001	**1 700 001**	3 358 860	**1 658 859**	52
Fines, Penalties and Forfeits	21 912	-	**21 912**	2 125 818	**2 103 906**	52
Total revenue from non-exchange transactions	**749 815 944**	**20 017 252**	**769 833 196**	**599 762 116**	**(170 071 080)**	
Expenditure						
Employee related costs	(126 096 070)	(52 399 098)	**(178 495 168)**	(178 495 170)	**(2)**	52
Remuneration of councillors	(26 744 868)	-	**(26 744 868)**	(19 945 299)	**6 799 569**	52
Depreciation and amortisation	(45 363 967)	(1 147 903)	**(46 511 870)**	(45 677 344)	**834 526**	52
Finance costs	(598 556)	(1 679 165)	**(2 277 721)**	(2 203 253)	**74 468**	52
Debt Impairment	-	(166 870 737)	**(166 870 737)**	(166 870 737)	**-**	52
Impairment	(2 862 773)	(8 319 790)	**(11 182 563)**	(11 182 563)	**-**	52
Bulk purchases	(90 473 894)	(40 000 000)	**(130 473 894)**	(84 615 784)	**45 858 110**	52
Contracted Services	(98 624 760)	(27 362 707)	**(125 987 467)**	(99 664 991)	**26 322 476**	52
General Expenses	(68 313 353)	(31 875 564)	**(100 188 917)**	(54 704 167)	**45 484 750**	52
Total expenditure	**(459 078 241)**	**(329 654 964)**	**(788 733 205)**	**(663 359 308)**	**125 373 897**	
Surplus for the year from continuing operations	**447 118 879**	**(311 140 769)**	**135 978 110**	**68 847 682**	**(67 130 428)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**447 118 879**	**(311 140 769)**	**135 978 110**	**68 847 682**	**(67 130 428)**	

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), icluding any interpretations, guidelines and directives, issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. All figures have been rounded to the nearest Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Receivables

The municipality assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for receivables, is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable amounts of cash-generating units and individual assets is determined based on the higher of value-in-use and fair values less costs to sell. The calculation of the value in use requires the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value to the tangible assets.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on the patterrn in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 15.

Effective interest rate

The municipality used the government bond rate to discount future cash flows except where stated otherwise.

Allowance for doubtful debts

For receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Accounting Policies

1.3 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value, refer to note 9.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the municipality determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed whichever is earlier.

Once the municipality becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 10).

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Accounting Policies

1.4 Property, plant and equipment (continued)

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset’s carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset’s carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment and will be transferred directly to retained earnings when the asset is derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	10 - 50 years
Landfill site	Straight line	0-100
Infrastructure	Straight line	15 - 80 years
Community	Straight line	10 - 50 years
Other assets	Straight line	2 - 35 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Accounting Policies

1.4 Property, plant and equipment (continued)

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 30).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 10).

1.5 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').

Accounting Policies

1.5 Financial instruments (continued)

- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

1.5 Financial instruments (continued)

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash and cash equivalent	Financial asset measured at amortised cost
Receivables from exchange	Financial asset measured at amortised cost
Other Financial assets	Financial asset measured at amortised cost
Receivable from non-exchange	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Trade Payables	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Accounting Policies

1.5 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Accounting Policies

1.5 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Accounting Policies

1.6 Leases (continued)

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Any contingent rents are recognised seperately as an expense in the period in which they are incurred

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.7 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

Accounting Policies

1.7 Inventories (continued)

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Water is regarded as inventories when the municipality purchases water in bulk with the intention to resell it to consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in water dams under control of the municipality, that are filled by natural resources and that has not yet been treated, cannot be measured reliably as there is no cost attached to the water, and is therefore not recognised as inventories.

1.8 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Accounting Policies

1.8 Impairment of cash-generating assets (continued)

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.8 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the municipality does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.9 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Accounting Policies

1.9 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.10 Employee benefits

Short-term employee benefits

Short-term employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
.
Wages, salaries and social security contributions. Short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service; bonus and performance related payments payable within twelve months after the end of the reporting period in which employees render the related service and non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing ,cars and cellphones) for current employees
.
The municipality recognise the expected cot of bonus and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.
.
A present obligation exists when the municipality has no realistic alternative but to make the payments.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Accounting Policies

1.11 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating expenditure.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when the municipality:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability is:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
- a present obligation that arises from past events but is not recognised because:
  - it is not probable than an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
  - the amount of the obligation cannot be measured with sufficient reliability.

Accounting Policies

1.11 Provisions and contingencies (continued)

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 44.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the municipality consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the municipality test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.8 and 1.9.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on municipalities in accordance with legislation (i.e. laws and/or regulations), other than:

- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time.

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

1.12 Discontinued operations

Discontinued operation is a component of the municipality that has been disposed of and:

- represents a distinguishable activity, group of activities or geographical area of perations
- is part of a single co-ordinated plan to dispose of a distinguishable activity, group of activities or geographical area of operations; or
- is a controlled municipality acquired exclusively with a view to resale.

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A component of the municipality is the operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the municipality

1.13 Commitments

Items are classified as commitments when an municipality has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

Accounting Policies

1.13 Commitments (continued)

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed

Interest, royalties and dividends

Revenue arising from the use by others of municipality assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.15 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the municipality receives value from another municipality without directly giving approximately equal value in exchange

Accounting Policies

1.15 Revenue from non-exchange transactions (continued)

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transactions will flow to the municipality.
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective,whichever is earlier.
When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transactions will flow to the municipality
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restricitions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

Concessionary loans receved

A concessionary loan is a loan granted to or received by the municipality on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue, is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exists in the loan agreement that may give rise to a liability. Where a liability exists the municipality recognises revenue as and when it satisfies the conditions of the loan agreement

1.16 Borrowing costs

Borrowing costs are interest and other expenses incurred by an municipality in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

Accounting Policies

1.17 Service concession arrangements : Grantor

A service concession arrangement is a contractual arrangement between a grantor (the muncipality) and an operator in which:l

- the operator uses the service concession asset to provide a mandated function on behalf of the municipality for a specified period of time; and
- the operator is compensated for its services over the period of the service concession arrangement.

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A service concession asset is an asset used to provide a mandated function in a service concession arrangement that:

- is provided by the operator which:
  - the operator constructs, develops, or acquires from a third party; or
  - is an existing asset of the operator
- is provided by the grantor (municipality) which:
  - is an existing asset of th municipality; or
  - is an upgrade to an existing asset of the municipality.

An asset is provided by the operator, or an upgrade to an existing asset of the municipality is recognised as a service concession asset if:

- the municipality controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price;
- the municipality controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the asset at the end of the arrangement

The municipality measures initially a service concession asset at its fair value.

The municipality recognises a liability where a service concession asset is recognised.

The liability is initially recognised at the same amount as the service concession asset, adjusted by the amount for any consideration from the municipality to the operator, or from the operator to the municipality.

Where the municipality has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition or upgrade of a service concession asset, the liability is accounted for as a financial liability in accordance with GRAP 104.

.

The payments made to the operator are accounted for according to their substance as:

- a reduction in the liability recognised
- a finance charge; and
- charges for services provided by the operator.

Where the asset and service components of a service concession arrangement are separately identifiable, the service components of payments are allocated by reference to the relative fair values of the service concession asset and the services. If not, the service component of payments is determine using valuation techniques.

Where the municipality does not have an unconditional obligation to pay cash or another financial asset to the operator, and grants the operator the right to earn revenue from third-party users or another revenue-generating asset, the liability is accounted for as the unearned portion of revenue arising from the exchange of assets between the municipality and the grantor.

The liability is reduced and revenue recognised according to the substance of the service concession arrangement.

1.18 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.19 Unauthorised expenditure

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Unauthorised expenditure means any expenditure incurred by the municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No. 56 of 2003), and includes:

- overspending of the total amount appropriated in the municipality's approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;

Accounting Policies

1.19 Unauthorised expenditure (continued)

- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of ‘‘allocation’’ otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with the Municipal Finance Management Act.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments, relating to income and expenditure, are debited/credit against accumulated surplus when retrospective adjustments are made.

Accounting Policies

1.23 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance

1.24 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments, which are disclosed in note 41.

Commitments for which disclosure is necessary to achieve a fair presentation are disclosed if both the following criteria are met:

1.25 Grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

.

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving raise to the transfer occurred

1.26 Budget information

The approved budget is prepared on the accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2019/07/01 to 2020/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.27 Related parties

A related party is a person or an municipality with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an municipality that is subject to common control, or joint control.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

1.28 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

Accounting Policies

1.28 Events after reporting date (continued)

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.29 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria,conditions or obligations have not been met a liability is recognised.

1.30 Expenditure

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets, other than those relating to distributions to owners.

Expenses are recognised as when they satisfy the definitions and recognition criteria for those elements in the Framework for the Preparation and Presentation of Financial Statements

	2020	2019

2. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	3 649	2 852
Bank balances	278 925	8 200 924
Call accounts	97 491 844	7 708 192
	97 774 418	**15 911 968**

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2020	30 June 2019	30 June 2018	30 June 2020	30 June 2019	30 June 2018
Standard bank- Account Type - 033-255-954	248 661	8 052 619	4 046 685	-	-	-
Standard bank - Investment Account Type - 038478668-002	13 255 996	2 300 868	8 524	13 255 999	2 300 868	-
Standard Bank -Investment Account Type - 308654552-001	1 057 538	4 018 712	74 940	1 057 538	4 018 712	-
Standard bank -Investment Account Type - 038478668-003	1 395 281	292 540	6 629 961	1 395 281	292 540	6 629 961
Standard Bank -Investment Account Type - 038478668-004	2 563 586	1 096 069	851 092	2 563 586	1 096 069	851 092
Standard Bank - Cheque Account Type - 31686648	30 265	148 952	28 075	30 265	148 952	28 075
Standard Bank - Investment Account Type - 034878668-005	79 218 020	-	-	79 218 020	-	-
Standard Bank- Investment Account Type -038478668-006	1 420	-	-	1 420	-	-
Total	**97 770 767**	**15 909 760**	**11 639 277**	**97 522 109**	**7 857 141**	**7 509 128**

3. Receivables from exchange transactions

Gross balances		
Electricity	20 161 277	18 408 154
Water	23 632 798	16 915 199
Sewerage	72 232 402	60 553 188
Refuse	64 739 615	52 242 407
Magoveni	1 485 294	1 485 294
Shatadi	918 659	918 659
Other	6 750 721	4 866 456
	189 920 766	**155 389 357**
Less: Allowance for impairment		
Electricity	(15 154 530)	(11 793 540)
Water	(17 763 951)	(10 835 699)
Sewerage	(54 294 579)	(38 793 532)
Refuse	(48 662 512)	(33 469 302)
Other	(5 074 281)	(3 117 789)
	(140 949 853)	**(98 009 862)**

Figures in Rand	2020	2019

3. Receivables from exchange transactions (continued)

Net balance		
Electricity	5 006 747	6 614 614
Water	5 868 847	6 079 500
Sewerage	17 937 823	21 759 656
Refuse	16 077 103	18 773 105
Magoveni	1 485 294	1 485 294
Shatadi	918 659	918 659
Other	1 676 440	1 748 667
	48 970 913	**57 379 495**
Electricity		
Current (0 -30 days)	1 484 071	3 015 348
31 - 60 days	1 610 246	889 502
61 - 90 days	602 355	614 103
91 - 120 days	16 464 606	13 793 539
Less: Allowance for impairment	(15 154 529)	(11 793 539)
	5 006 749	**6 614 614**
Water		
Current (0 -30 days)	1 718 533	1 704 343
31 - 60 days	2 138 926	626 288
61 - 90 days	931 032	975 129
91 - 120 days	18 844 308	13 609 440
Less: Allowance for impairment	(17 763 951)	(10 835 699)
	5 868 848	**6 079 500**
Sewerage		
Current (0 -30 days)	1 202 172	2 418 266
31 - 60 days	1 168 810	963 107
61 - 90 days	1 135 484	948 585
91 - 120 days	68 725 937	56 221 610
Less allowance for impairment	(54 294 579)	(38 793 532)
	17 937 824	**21 758 036**
Refuse		
Current (0 -30 days)	1 208 189	2 242 029
31 - 60 days	1 964 354	899 618
61 - 90 days	1 137 101	891 150
91 - 120 days	60 429 971	48 209 610
Less allowance for impairment	(48 662 512)	(33 469 302)
	16 077 103	**18 773 105**
Magoveni		
> 365 days	1 485 294	1 485 294
Shatadi		
> 365 days	918 659	918 659

Figures in Rand	2020	2019

3. Receivables from exchange transactions (continued)

Other		
Current (0 -30 days)	168 631	335 254
31 - 60 days	167 364	146 577
61 - 90 days	163 331	145 942
91 - 120 days	6 251 395	4 238 684
Less allowance for impairment	(5 074 281)	(3 117 789)
	1 676 440	**1 748 667**
Reconciliation of allowance for impairment		
Balance at beginning of the year	98 009 862	91 106 112
Contributions to allowance	42 939 991	6 903 750
	140 949 853	**98 009 862**

Consumer debtors pledged as security

None of the consumer receivables were pledged as security. .

Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Consumer debtors impaired

As of 30 June 2020, consumer debtors of R 140 949 853 (2019: R 98 009 862) were impaired and provided for.

The amount of the provision was R 42 939 991 as of 30 June 2020 (2019: R 6 903 750).

4. Receivables from Non-Exchange Transactions

Gross balances		
Consumer debtors - Rates	626 945 595	545 848 619
Staff Debtors	309 717	309 717
Traffic fines	39 739 140	37 788 238
	666 994 452	**583 946 574**
Less: Allowance for impairment		
Consumer debtors - Rates	(471 253 154)	(349 707 827)
Staff debtors	-	-
Traffic fines	(39 564 991)	(37 179 573)
	(510 818 145)	**(386 887 400)**
Net balance		
Consumer debtors - Rates	155 692 441	196 141 384
Staff debtors	309 717	309 717
Traffic fines	174 149	608 582
	156 176 307	**197 059 683**

Figures in Rand	2020	2019

4. Receivables from Non-Exchange Transactions (continued)

Property Rates		
Current (0 -30 days)	21 067 670	29 436 171
31 - 60 days	19 406 261	15 747 297
61 - 90 days	18 640 984	13 935 875
91 - 120 days	567 830 681	486 729 868
Less allowance for impairment	(471 253 154)	(349 707 827)
	155 692 442	**196 141 384**
Staff debtor		
91 - 120 days	309 717	309 717
Traffic fines		
Current (0 -30 days)	256 193	91 237
31 - 60 days	223 260	84 389
61 - 90 days	120 134	63 334
91 - 120 days	39 209 962	37 544 322
Less allowance for impairment	(39 564 991)	(37 179 573)
	244 558	**603 709**

Figures in Rand	2020	2019

4. Receivables from Non-Exchange Transactions (continued)

Summary of receivables by customer classification

Consumers		
Current (0 -30 days)	21 067 670	28 343 021
31 - 60 days	19 406 261	13 596 619
61 - 90 days	18 640 984	12 637 309
91 - 120 days	567 830 681	519 306 836
	626 945 596	573 883 785
Less: Allowance for impairment	(471 253 154)	(424 524 868)
	155 692 442	**149 358 917**
Industrial/ commercial		
Current (0 -30 days)	20 711 632	2 558 598
31 - 60 days	20 356 666	1 281 328
61 - 90 days	17 096 613	1 064 444
91 - 120 days	392 303 812	26 448 289
	450 468 723	31 352 659
Less: Allowance for impairment	(342 556 663)	(23 192 820)
	107 912 060	**8 159 839**
National and provincial government		
Current (0 -30 days)	521 328	8 244 842
31 - 60 days	482 721	4 394 442
61 - 90 days	393 868	3 809 030
91 - 120 days	8 005 545	77 143 286
	9 403 462	**93 591 600**
Total		
Current (0 -30 days)	42 556 823	39 237 698
31 - 60 days	40 468 907	19 356 778
61 - 90 days	36 131 465	17 510 783
91 - 120 days	1 007 659 717	663 033 120
	1 126 816 912	739 138 379
Less: Allowance for impairment	(853 374 809)	(484 897 261)
	273 442 103	**254 241 119**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(447 717 688)	(383 137 844)
Contributions to allowance	(164 485 319)	(94 801 924)
	(612 203 007)	**(484 897 261)**

Figures in Rand	2020	2019

4. Receivables from Non-Exchange Transactions (continued)

Receivables from non-exchange transactions pldeged as security

None of the receivables were pledged as security.

Credit quality of receivables from non-exchange transactions

The credit quality of receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counteparty default rates.

The municipality does not hold any collateral as security.

Receivables from non-exchange transactions impaired

As at 30 June 2020, receivables from non-exchange transactions of R510 818 228 (2019: R386 887 400) were impaired and provided for.

The amount of the provision for the year ended 30 June 2020 was R156 176 934 (2019: 197 053 224)

5. Inventories

Consumables	3 699 273	3 494 404
Water for distribution	133 312	114 274
	3 832 585	**3 608 678**

5.1 Reconciliation of inventory movement

Opening balance	3 494 404	3 582 735
Purchased	855 409	764 961
Utilised	(650 540)	(739 018)
	3 699 273	**3 608 678**

Reconciliation of water stock movement

Opening balance	114 274	-
Produced	19 038	-
	133 312	**-**

Inventory pledged as security

At the year end no inventory has been pledged as security.

6. Investments

Designated at fair value

Sanlam: Guarantee Capital Fund - Policy number 9921774X7	114 895	108 438
RMB Momentum - Account number RU 500434741	294 613	276 245
Stanlib Classic Investment Plan - Account number IP0006247	692 676	663 146
Stanlib Extra Income Fund - Account number IP0006247	2 448 824	2 300 376
	3 551 008	**3 348 205**

Listed investments at amortised cost

Listed shares	780 616	1 034 994
	780 616	1 034 994
Impairments	-	-
	780 616	**1 034 994**

Figures in Rand	2020	2019
6. Investments (continued)		
	3 551 008	3 348 205
	780 616	1 034 994
	-	-
Total other financial assets	**4 331 624**	**4 383 199**
Non-current assets		
At amortised cost	409 508	384 683
Current assets		
At amortised cost	3 141 500	2 963 522
Listed investment at fair value	780 616	1 034 994
	3 922 116	**3 998 516**
Non-current assets	409 508	384 683
Current assets	3 922 116	3 998 516
	4 331 624	**4 383 199**

Financial assets at fair value

Fair value information

Listed shares are carried at fair value:

The municipality owns 13 242 shares in Sanlam Limited which was trading at R58, 94 (2019: R78.16) per share at each reporting period.

None of the financial assets that are fully performing have been renegotiated in the last year.

The municipality has not reclassified any financial assets from assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

Credit quality of investments.

The credit qualify of financial assets neither past nor impaired can be by reference to external credit ratings (If available) or to historical information about counterparty default rates.

7. VAT receivable		
VAT	26 085 655	23 139 991
8. Operating lease asset		
Current assets	548 290	200 969

At the reporting date the municipality has outstanding commitments under operating leases which fall due as follows:

Figures in Rand	2020	2019

8. Operating lease asset (continued)

Operating as Lessor

Within one year	119 665	108 840
In the second to fifth year	428 625	92 129
	548 290	**200 969**

Operating lease asset represent rentals receivable by the municipality for pemise/properties rented out.

The lease was negotiated for periods ranging from 12 months to 119 months. The rentals escalate on average between 5% and 10% per annum.

Figures in Rand	2020	2019

9. Investment property

	2020			2019		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	35 159 000	-	35 159 000	35 237 000	-	35 237 000

Reconciliation of investment property - 2020

	Opening balance	**Disposals**	**Transfers**	**Fair value adjustments**	**Total**
Investment property	35 237 000	(940 000)	(650 000)	1 512 000	35 159 000

Reconciliation of investment property - 2019

	Opening balance	**Fair value adjustments**	**Total**
Investment property	52 904 840	(17 667 840)	35 237 000

Pledged as security

At year end no investment property has been pledged as security.:

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation

Revaluations were performed by an independent valuer, Valuers Afrika who are not connected to the municipality.

The valuation was based on open market value for existing use.

Rental revenue in surplus for the year	1 944 058	1 266 594

10. Property, plant and equipment

	2020			2019		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	115 334 700	-	115 334 700	115 334 700	-	115 334 700
Buildings	9 016 715	(4 146 182)	4 870 533	8 366 715	(3 561 303)	4 805 412
Infrastructure	1 642 970 155	(712 790 018)	930 180 137	1 545 880 503	(668 637 267)	877 243 236
Community	82 958 500	(18 599 980)	64 358 520	82 958 500	(14 903 677)	68 054 823
Infrastructure - work in progress	256 196 884	-	256 196 884	157 723 766	-	157 723 766
Landfill site	43 984 906	(13 186 086)	30 798 820	43 984 906	(10 115 673)	33 869 233
Other property, plant and equipment	43 746 736	(23 197 111)	20 549 625	37 811 238	(18 077 459)	19 733 779
Total	**2 194 208 596**	**(771 919 377)**	**1 422 289 219**	**1 992 060 328**	**(715 295 379)**	**1 276 764 949**

Reconciliation of property, plant and equipment - 2020

	Opening balance	**Additions**	**Disposals**	**Transfers received**	**Transfers**	**Depreciation**	**Impairment loss**	**Total**
Land	115 334 700	-	-	-	-	-	-	115 334 700
Buildings	4 805 412	-	-	650 000	-	(319 429)	(265 450)	4 870 533
Infrastructure	877 243 236	-	-	78 860	97 010 793	(36 623 229)	(7 529 522)	930 180 137
Community	68 054 823	-	-	-	-	(2 550 933)	(1 145 370)	64 358 520
Work in progress	157 723 766	195 483 912	-	-	(97 010 793)	-	-	256 196 884
Landfill site	33 869 233	-	-	-	-	(1 807 387)	(1 263 026)	30 798 820
Other property, plant and equipment	19 733 779	4 731 015	(139 637)	1 580 000	-	(4 376 366)	(979 196)	20 549 625
	1 276 764 949	**200 214 927**	**(139 637)**	**2 308 860**	**-**	**(45 677 344)**	**(11 182 564)**	**1 422 289 219**

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	115 551 700	-	(217 000)	-	-	-	-	115 334 700
Buildings	5 249 223	-	-	-	-	(306 585)	(137 226)	4 805 412
Infrastructure	654 577 012	-	-	128 293 406	114 354 711	(37 931 401)	(1 728 694)	877 243 236
Community	62 464 844	-	-	-	8 503 304	(2 513 083)	(400 242)	68 054 823
Infrastructure work in progress	208 413 031	91 846 950	-	-	(122 858 015)	-	-	157 723 766
Landfill site	33 357 999	2 237 076	-	-	-	(1 725 842)	-	33 869 233
Other property, plant and equipment	11 372 935	8 141 034	(52 867)	4 006 030	-	(3 438 395)	(294 957)	19 733 779
	1 090 986 744	**102 225 060**	**(269 867)**	**132 299 436**	**-**	**(45 915 306)**	**(2 561 119)**	**1 276 764 949**

Pledged as security

None of the above property, plant and equipment have been pledged as security:

Revaluations

The effective date of the revaluations was Thursday, 30 June 2016. Revaluations were performed by independent valuer Valuers Afrika. Valuers Afrika are not connected to the municipality.

These assumptions were based on current market conditions.

Change in estimate

In terms of the requirements of GRAP 17 the useful lives of all asset items were reviewed by management at year end. The remaining useful life expectations of some asset items differed from previous estimates.This resulted in a revision of some of the previous estimates which was accounted for as a change in estimate. The effect of this revison is a decrease in the depreciation charges for the current period of R237 962 (2019: R2 459 573)

Figures in Rand	2020	2019

10. Property, plant and equipment (continued)

Details of properties

A register containing the information required by sectio 63 of Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Community	Total
Opening balance	132 732 205	24 991 561	157 723 766
Additions/capital expenditure	173 886 379	21 597 532	195 483 911
Transferred to completed items	(97 010 793)	-	(97 010 793)
	209 607 791	**46 589 093**	**256 196 884**

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Included within Community	Total
Opening balance	172 208 741	16 490 929	188 699 670
Additions/capital expenditure	74 843 014	17 003 936	91 846 950
Transferred to completed items	(114 354 709)	(8 503 304)	(122 858 013)
	132 697 046	**24 991 561**	**157 688 607**

Expenditure incurred to repair and maintain property, plant and equipment

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

11. Payables from exchange transactions

Trade payables	129 637 267	137 478 051
Retentions	44 856 343	24 529 998
Payroll accruals- 13th Cheque	3 183 542	2 950 315
Consumer deposits	474 562	467 613
1% social responsibility	3 464 174	1 828 567
Income received in advance	38 086 673	14 153 297
Unallocated deposits	22 377	2 285 241
	219 724 938	**183 693 082**

Consumer deposits

Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utulise the deposit as payment for the outstanding account. No interest is paid on consumer deposits held.

Figures in Rand	2020	2019

12. Finance lease obligation

Minimum lease payments due		
- within one year	4 133 437	5 080 423
- in second to fifth year inclusive	1 853 931	5 504 777
	5 987 368	10 585 200
less: future finance charges	(476 393)	(1 108 435)
Present value of minimum lease payments	**5 510 975**	**9 476 765**
Present value of minimum lease payments due		
- within one year	3 741 109	4 353 604
- in second to fifth year inclusive	1 769 866	5 123 162
	5 510 975	**9 476 766**

The average lease term is 3 years and the average effective borrowing rate is the 9%. Interest rates are fixed at the contract date.

Some leases have fixed repayment terms and others escalate. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Regional Bulk Infrastructure Grant	78 999 999	-

Movement during the year

Additions during the year	598 097 256	-
Income recognition during the year	(519 097 256)	-
	79 000 000	**-**

See note 28 for reconciliation of grants from National/Provincial Government.

Figures in Rand	2020	2019

14. Provisions

Reconciliation of provisions - 2020

	Opening Balance	Additions	Total
Provision for rehabilitation	69 715 888	921 383	70 637 271
Leave	11 518 693	2 467 960	13 986 653
	81 234 581	**3 389 343**	**84 623 924**

Reconciliation of provisions - 2019

	Opening Balance	Additions	Total
Provision for rehabilitation	57 529 053	12 186 835	69 715 888
Leave	11 121 564	397 129	11 518 693

Non-current liabilities	70 637 271	69 715 888
Current liabilities	13 986 653	11 518 693
	84 623 924	**81 234 581**

Provision for rehabilitation

The municipality engages in waste disposal operations from residential and business areas within the following areas:

- Carolina (old)
- Carolina (new)
- eManzana
- Elukuwatinit
- Ekulindeni
- Empuluzi

It is required from the municipality to execute an environmental management programme to restore the landfill sites after its useful life. As such an assessment is required in order to calculate the landfill closure provision liability.

This assessment was performed using the General Landfill Closure Costing Model (GLCCM) that was developed by Mr Seakle Godschalk Pr Sci Nat, GIMFO and Dr Maryna Möhr, both partners in Environmental & Sustainability Solutions (ESS).

ESS has developed a General Landfill Closure Costing Model (GLCCM) to estimate the final rehabilitation and closure costs for general landfills. The GLCCM is being updated in cooperation with Jones and Wagener Consulting Civil Engineers (Pty) Ltd, a company that is actively involved in rehabilitation and closure of landfill sites. The GLCCM standardises the determination of landfill closure costs between different landfills and for the same landfill over time. The GLCCM is based on the Minimum Requirements for Waste Disposal by Landfill of the Department of Water Affairs (1998), as amended by more recent regulations. The GLCCM provides a reliable best possible estimate of closure costs in terms of paragraph .49 of GRAP 19 or paragraph 36 of IAS 37.

The liability calculated using the the GLCCM includes costs associated with :

- Pre-closure planning and approvals (four cost elements)
- Final rehabilitation and closure (seven cost elements)
- 30 years post-closure monitoring (seven costs elements)

Between 2011 and 2019, the GLCCM has been used to conduct 396 closure cost determinations for 113 landfills and quarries controlled by 41 municipalities/entities spread over seven provinces.

The landfill closure provision is calculated as the net present value of future cash flows.

Figures in Rand	2020	2019

14. Provisions (continued)

Financial assumptions used

Unit costs
Unit costs for each of the cost elements are obtained annually by means of a commercial quotation. Details of this are provided separately.

Consumer price index
The CPI is used for determining the future value of current costs in the year when the cost is projected to be incurred. The CPI figure used in the GLCCM is based on the three-month average CPI for the quarter that includes the financial year-end date. The average of the CPI for the last quarter amounted to 2.4107%..

The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

Discount rate
GRAP 19 states that where the effect of the time value of money is material, the amount of the provision shall be the present value of the expenditures expected to be required to settle the obligation. In view of the long operational life of landfills, the time value of money is considered material.

GRAP 19 prescribes that the discount rate shall be the pre-tax rate that reflects current market assessments of the time value of money, and the risks specific to the liability. Normally corporate bond rates are used to determine the discount rate. In line with GRAP 25 Defined benefit plans, government bond rates may also be used to determine the discount rate. The liability for this purpose is in most cases determined for a government entity (municipality).

Therefore, government bond rates are considered a more appropriate indicator of the risk associated with the entity than corporate bond rates to determine the discount rate. The government bond rate most consistent with the estimated term of the liability should be used. As inflation-linked RSA retail bond rates have longer terms than fixed RSA retail bond rates, inflation-linked rates are used

The rate most consistent with the remaining life of the landfills published at the end of the quarter that includes the financial year-end date was used.

- For landfills with an expected remaining life of three years or less, the rate associated with a maximum period of 3 years is used.
- For landfills with an expected remaining life of four of five years, the rate associated with a maximum period of 5 years is used.
- For landfills with an expected remaining life of more than five years, the rate associated with a maximum period of 10 years is used.

Key financial assumptions used

	For Carolina (old) landfill	**For eManzana landfill**	**For Elukwatini, Ekulindeni, Empuluzi and Carolina (new) landfills**
CPI	2,4107%	2,4107%	2,4107%
Discount rate	5,9107%	6,9107%	7,4107%
Net effective discount rate	3,5%	4,5%	5%
	12	**14**	**15**

Discounting of closure costs
The discounted value of the liability for the closure of the landfills is shown below**:**

Description		
Landfill closure provision	70 637 271	69 715 888
Interest charge	5 291 336	4 100 721

Figures in Rand	2020	2019
14. Provisions (continued)		
	75 928 607	**73 816 609**

The landfill closure provision is calculated as the net present value of future cash flows.

The interest charge is calculated as the product of the provision calculated in the previous year and the discount rate used in the previous year for each landfill.

Current and non-current liability

The individual reports for the respective landfills must be consulted for an explanation of any disclosure of a current liability for landfill closure.

Current and non-current discounted liability for landfill closure costs		
Current liability	-	-
Non-current liability	70 637 271	69 715 888
	70 637 271	**69 715 888**

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Disclosures

The results of this assessment should be disclosed as follows in the financial statements

Disclosures in the Statement of Financial Performance or the notes thereto		
Change in landfill closure provision	(4 369 983)	8 086 114
Interest charge	5 291 366	4 100 721
	921 383	**12 186 835**

Disclosures in the Statement of Financial Position or the notes thereto

Net Liability in Balance Sheet		
Opening balance	69 715 888	57 529 053
Change in landill closure provision	(4 369 983)	8 086 114
Interest charge	5 291 366	4 100 721
	70 637 271	**69 715 888**

15. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(9 683 000)	(10 691 483)

Employee benefit obligation		
Current portion	(879 000)	-
Non-current portion	(8 804 000)	-
	(9 683 000)	**-**

Changes in the present value of the defined obligation are as follows		
Opening balance	10 691 483	9 283 901
Interest costs	892 421	806 907
Benefits paid	(816 978)	(841 234)
Acturial gain/(loss)	(1 083 926)	1 441 911

Figures in Rand	2020	2019

15. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Interest cost	892 421	806 907
Actuarial (gains) losses	(1 083 926)	1 441 911
	(191 505)	**2 248 818**

Key assumptions used

Assumptions used at the reporting date (2020 and 2019):

Discount rate	9,03 %	8,70 %
Health care cost inflation rate	5,29 %	6,32 %
Net discount rate	3,55 %	2,24 %

The basis used to determine the overall expected rate of return on assets is as follow:

Discount rate
GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 9.03% per annum has been used. The corresponding index-linked yield at this term is 4.57%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 30 June 2020.

Health Care Cost Inflation Rate
This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective
.
A health care cost inflation rate of 5.29% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 3.79%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 3.55% which derives from ((1+9.03%)/(1+5.29%))-1.

The expected inflation assumption of 3.79% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (4.57%) and those of fixed interest bonds (9.03%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: ((1+9.03%-0.50%)/(1+4.57%))-1.

Mortality rates
Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

Spouses and dependents
We assumed that the marital status of members who are currently married will remain the same up to retirement. Where necessary it was assumed that female spouses would be five years younger than their male spouses at retirement

Salaries
Changes in an index or other variable specified in the formal or constructive terms of a plan as the basis for future benefit increases.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

15. Employee benefit obligations (continued)

Other assumptions

Amounts for the current and previous four years are as follows:

	2020	2019	2018	2017	2016
	R	R	R	R	R
Defined benefit obligation	9 683 000	10 691 483	10 042 145	9 587 082	10 338 000

Figures in Rand	2020	2019

16. Long service award

As per government gazette an employee shall qualify for long service rewards in terms of leave days credits for the various periods of continuous service completed at the same employer as follows:
- After 5 years of service - 5 working days
- After 10 years of service - 10 working days
- After 15 years of service - 20 working days
- After 20 years of service - 30 working days
- After 25 years of service - 30 working days
- After 30 years of service - 30 working days
- After 35 years of service - 30 working days
- After 40 years of service - 30 working days
- After 45 years of service - 30 working days

The leave mentioned may be wholly or partially converted on the date on which an employee qualified or at any stage thereafter.

Long service benefits are awarded in the form of a number of leave days awarded once the employee completes a certain number of years in service.

Valuation of assets
The long service leave award liability of the municipality is unfunded. No dedicated assets had been set aside to meet this liability.

Valuation of assets		
Carrying value	-	-
Present value	9 591 000	8 666 951
	9 591 000	**8 666 951**

Changes in present value		
Opening balance	8 666 951	7 784 710
Current serivce cost	893 865	756 489
Interest cost	694 598	626 782
Benefits paid	(482 202)	(909 123)
Acturial loss/(gain)	(182 212)	408 093
	9 591 000	**8 666 951**

Long service award accrual		
Current service cost	893 865	756 489
Interest cost	694 598	626 782
Acturial loss/(gain)	(182 212)	408 093
	1 406 251	**1 791 364**

Key assumptions	
Discount rate:	7,44%
CPI (Consumer Price Inflation)	Difference between nominal and real yield curve
Normal salary increase rate:	Equal to CPI (4,03%) + 1%
Net effective discount rate:	3,28%

Average retirement age:
The average retirement age for all active employees was assumed to be 62 years. This assumption implicitly allows for ill-health and early retirements.

The effect of 1% p.a. change in the normal salary inflation assumption is as follows:	One percentage point increase	Current valuation percentage	One percentage point decrease
Total accrued liability	10 222 000	9 591 000	9 021 000

Figures in Rand	2020	2019	
Current service cost	971 100	893 865	825 000
Interest cost	746 200	694 598	648 100
	11 939 300	**11 179 463**	**10 494 100**

The cost of the long service awards is dependent on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the long service awards liability.

The interest cost is based on the discount rate assumption for the current valuation which is based on one point on the curve.

The amounts for the current annual reporting period and previous period:		
Current portion	993 000	8 666 951
Non-current portion	8 598 000	-
	9 591 000	**8 666 951**

17. Revaluation reserve

Valuations on land and buildings are performed every four years. The last general valuation came into effect on 1 July 2016. Revaluations were performed by an independent valuer, Valuer Afrika. Valuers Afrika are not connected to the municipality.

The assumptions were based on current market conditions.

Opening balance	84 700 463	84 700 463

18. Revenue

Service charges	58 568 519	51 758 478
Rental income	1 944 058	1 296 695
Interest received - consumers	60 723 646	53 072 151
Licences and permits	155 118	31 438
Other income	1 963 477	2 069 987
Fair value adjustments	1 512 000	-
Gains on disposal of assets and liabilities	224 711	-
Interest received - investment	5 616 634	3 476 722
Property rates	75 180 181	102 113 531
Government grants & subsidies	519 097 257	411 182 203
Donations	3 358 860	134 854 750
Fines	2 125 818	6 387 004
	730 470 279	**766 242 959**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	75 180 181	102 113 531
Transfer revenue		
Government grants & subsidies	519 097 257	411 182 203
Donations	3 358 860	134 854 750
Fines	2 125 818	6 387 004
	599 762 116	**654 537 488**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
19. Service charges		
Sale of electricity	30 095 759	32 645 438
Sale of water	8 365 241	4 507 917
Sewerage and sanitation charges	9 021 933	7 136 926
Refuse removal	11 052 934	7 398 450
Other service charges	32 652	69 747
	58 568 519	**51 758 478**
20. Rental income		
Facilities and equipment		
Rental of facilities	1 944 058	1 296 695
Premises	-	-
Garages and parking	-	-
Facilities and equipment	1 944 058	1 296 695
	1 944 058	**1 296 695**
21. Interest received- consumers		
Interest received- consumers	60 723 646	53 072 151
22. Fines		
Traffic Fines	2 125 818	6 387 004
23. Licences and permits		
Licenses	155 118	31 438
24. Other income		
Building plan fees	619 783	325 367
Burial service fees	157 978	168 236
Clearance certificates	5 402	7 175
Connection fees	153 053	-
Fire brigade fees	205 253	159 633
Proof of residence	261 599	259 543
Sale of stands	146 164	171 234
Tender deposits	136 495	145 878
Adminstration and handling fees	240 636	224 531
Advertising	24 714	47 692
Valuation certificate	112	557 079
Cleaning and removal	12 084	3 620
Staff recoveries	-	(22 493)
Cash surplus	204	-
	1 963 477	**2 047 495**
25. Interest received - investments		
Interest revenue		
Unlisted investments at amortised cost	5 616 634	3 476 722

Figures in Rand	2020	2019

26. Gains on disposal of assets and liabilities

Gains on disposals of assets	224 711	-

27. Property rates

Rates received

Residential	65 959 893	96 527 236
Commercial	6 746 499	3 236 082
Municipal	2 473 103	2 350 213
	75 180 181	**102 113 531**

Valuations

Residential	1 714 609 060	1 590 692 700
Commercial	442 070 100	613 470 900
State	1 379 125 500	1 712 977 000
Municipal	372 001 000	1 504 221 500
Agriculture	3 412 879 000	2 435 210 060
Other	2 431 780 420	1 833 807 920
	9 752 465 080	**9 690 380 080**

Valuations on land and buildings are performed every four years. The last general valuation came into effect on 1 July 2016. The valuations were perfromed by an independent valuer, Valuers Afrika, who are not connected to the municipality

Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation implemented on 01 July 2016.

Figures in Rand	2020	2019

28. Government grants and subsidies

Operating grants		
Equitable share	311 205 000	278 934 000
LG Seta	334 256	358 203
Disaster Relief	341 000	-
EPWP	2 445 000	1 901 000
FMG	1 700 000	1 700 000
	316 025 256	**282 893 203**
Capital grants		
WSIG	50 000 000	34 674 000
RBIG	51 000 001	-
INEP	15 000 000	8 334 000
MIG	87 072 000	85 281 000
	203 072 001	**128 289 000**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Human settlement

Balance unspent at beginning of year	-	357 432
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
Correction of prior year error	-	(357 432)
	-	**-**

Financial Management Grant

Balance unspent at beginning of year	-	-
Current-year receipts	1 700 000	1 700 000
Conditions met - transferred to revenue	(1 700 000)	(1 700 000)
	-	**-**

The grant was intended to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act. Condition met and transferred to revenue.

The conditions of the grant are stipulated on the Division of Revenue Bill as introduced in the National Assembly (proposed section 76); explanatory summary of Bill published in Government Gazette No. 37337 of 21 February 2014.

Expanded Public Work Programme

Balance unspent at beginning of year	-	-
Current-year receipts	2 445 000	1 901 000
Conditions met - transferred to revenue	(2 445 000)	(1 901 000)
	-	**-**

The Expanded Public Works Programme is one of government's key programmes aimed at providing poverty and income relief through temporary work for the unemployed. The EPWP integrated grant for municipalities is intended to act as a supplementary source of funding for labour-intensive projects

The conditions of the grant are stipulated on the Division of Revenue Bill as introduced in the National Assembly (proposed section 76); explanatory summary of Bill published in Government Gazette No. 37337 of 21 February 2014..

Figures in Rand	2020	2019

28. Government grants and subsidies (continued)

Department of Co-opertive Governance and Traditional Affairs

Balance unspent at beginning of year	-	228 831
Current-year receipts	-	-
Correction of prior year error	-	(228 831)
	-	**-**

The grant was intended for the construction of the ring in Silobela which is funded by the department of Local government and Traditional Affairs

The conditions of the grant are stipulated on the Division of Revenue Bill as introduced in the National Assembly (proposed section 76); explanatory summary of Bill published in Government Gazette No. 37337 of 21 February 2014..

Water Services Infrastructure Grant

Current-year receipts	50 000 000	34 674 000
Conditions met - transferred to revenue	(50 000 000)	(34 674 000)
	-	**-**

The grant was intended to fund bulk, connector and internal infrastructure of water services at a basic level of service. Condition met and transferred to revenue.

The conditions of the grant are stipulated on the Division of Revenue Bill as introduced in the National Assembly (proposed section 76); explanatory summary of Bill published in Government Gazette No. 37337 of 21 February 2014.

Department of Arts and Culture

Balance unspent at beginning of year	-	199 666
Correction of prior year error	-	(199 666)
	-	**-**

The grant is intended to improve the social economic situation.

The conditions of the grant are stipulated on the Division of Revenue Bill as introduced in the National Assembly (proposed section 76); explanatory summary of Bill published in Government Gazette No. 37337 of 21 February 2014..

Municipal Infrastructure Grant

Current-year receipts	87 072 000	85 281 000
Conditions met - transferred to revenue	(87 072 000)	(85 281 000)
	-	**-**

The grant is intended to provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities. Condition met and transferred to revenue.

The conditions of the grant are stipulated on the Division of Revenue Bill as introduced in the National Assembly (proposed section 76); explanatory summary of Bill published in Government Gazette No. 37337 of 21 February 2014.

Intergrated National Electrification Programme

Balance unspent at beginning of year	-	-
Current-year receipts	15 000 000	8 334 000
Conditions met - transferred to revenue	(15 000 000)	(8 334 000)
	-	**-**

Figures in Rand	2020	2019

28. Government grants and subsidies (continued)

The grant is intended to fund energy efficient lighting technologies in municipal building, street and traffic lighting infrastructure.

The conditions of the grant are stipulated on the Division of Revenue Bill as introduced in the National Assembly (proposed section 76); explanatory summary of Bill published in Government Gazette No. 37337 of 21 February 2014..

Regional Bulk Infrastructure Grant

Current-year receipts	130 000 000	-
Conditions met - transferred to revenue	(51 000 000)	-
	79 000 000	**-**

The grant was intended to fund bulk, connector and internal infrastructure of water services at a basic level of service. Condition met and transferred to revenue.

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LG SETA GRANT

Balance unspent at beginning of year	-	71 205
Current-year receipts	334 256	358 203
Conditions met - transferred to revenue	(334 256)	(358 203)
Correction of prior year error	-	(71 205)
	-	**-**

The grant is intended for sending the staff of municipality for training by the corporate service.

The conditions of the grant are stipulated on the Division of Revenue Bill as introduced in the National Assembly (proposed section 76); explanatory summary of Bill published in Government Gazette No. 37337 of 21 February 2014.

29. Donations

GSDM Revenue	1 700 000	134 854 750
GSDM Revenue	78 860	-
GSDM Revenue	1 580 000	-
	3 358 860	**134 854 750**

Figures in Rand	2020	2019

30. Employee related costs

Basic	105 204 852	92 903 634
Bonus	7 956 282	6 780 355
Medical aid - company contributions	9 253 951	4 837 371
UIF	745 309	3 291 468
Bargaining council	46 507	758 131
SDL	1 409 827	2 287 907
Pension fund	20 003 119	10 945 630
Post employment benefit- interest cost	892 421	-
Travel, motor car, accommodation, subsistence and other allowances	11 483 936	1 868 007
Overtime payments	6 967 298	5 135 499
Long-service awards	482 202	742 117
Acting allowances	2 148 413	2 998 257
Actuarial gain	(1 083 926)	1 441 911
Housing benefits and allowances	1 436 786	26 653 536
Long service award -Service cost	924 049	882 241
Standby allowances	6 265 251	2 022 503
Telephone allowances	745 000	466 895
Provident fund	912 706	1 463 716
Long-term benefits - incentive scheme	2 701 187	397 129
	178 495 170	**165 876 307**

Remuneration of Municipal Manager - Dlamini M.S.

Annual Remuneration	836 533	810 069
Car Allowance	240 000	240 000
Contributions to UIF, Medical and Pension Funds	211 604	202 898
Cellphone allowance	24 000	24 000
Rural allowance	55 465	53 955
13th Cheque	112 406	112 406
	1 480 008	**1 443 328**

Remuneration of Chief Finance Officer- Mnisi M.G.T

Annual Remuneration	845 297	819 780
Car Allowance	165 943	165 943
Contributions to UIF, Medical and Pension Funds	134 152	128 522
Rural allowance	45 339	44 104
Cellphone allowance	12 000	12 000
	1 202 731	**1 170 349**

Remuneration of Director: Community and Public Safety : Shabangu JW

Annual Remuneration	862 758	824 561
Car Allowance	78 000	78 000
Contributions to UIF, Medical and Pension Funds	92 902	88 537
Acting allowance	8 851	7 376
Rural allowance	40 889	39 203
Cellphone allowance	12 000	12 000
	1 095 400	**1 049 677**

Remuneration of Director:Corporate Services: Mndebele S.F. (Resigned)

Annual Remuneration	-	198 381
Car Allowance	-	19 500

Figures in Rand	2020	2019
30. Employee related costs (continued)		
Acting allowance	-	2 804
Contributions to UIF, Medical and Pension Funds	-	48 401
Rural allowance	-	10 461
Termination leave	-	200 859
Cellphone allowance	-	3 000
	-	**483 406**
Remuneration of Director: Planning and Economic Development: Lukhele TA		
Annual Remuneration	865 285	842 104
Car Allowance	60 000	60 000
Contributions to UIF, Medical and Pension Funds	219 274	211 415
Rural allowance	45 339	44 104
Acting allowance	-	7 881
Cellphone allowance	12 000	12 000
	1 201 898	**1 177 504**
Remuneration of Director: Technical Services: Magubane MP		
Annual Remuneration	702 814	51 135
Car Allowance	180 000	15 000
Cellphone allowance	12 000	1 000
Contributions to UIF, Medical and Pension Funds	149 992	12 158
Rural allowance	40 889	3 100
	1 085 695	**82 393**
Remuneration of Director: Corporate Services: Sibeko S.S		
Annual remuneration	596 244	-
Car Allowance	112 500	-
Contributions to UIF, Medical and Pension Funds	157 514	-
Rural Allowance	34 313	-
Cellphone Allowance	9 000	-
	909 571	**-**

The remuneration of staff is within the upper limits of the SALGA barganing council determinations.

31. Remuneration of councillors

Executive Major	945 536	878 839
Speaker	765 665	712 294
Chief Whip	720 513	670 500
Mayoral Committee	2 881 960	2 681 913
Councillors	14 631 625	13 561 057
	19 945 299	**18 504 603**

Figures in Rand	2020	2019

31. Remuneration of councillors (continued)

In-kind benefits

The Executive Mayor is provided with a vehicle, driver, secretary, manager and personal assistant at the cost of the council.

The Chief Whip is provided with a personal assistant.

The Speaker is provided with secretarial support, a manager and personal assistant.

Members of municipal council should be remunerated within the upper limits as determined by the Department of Cooperative Governance and Traditional Affairs. Any deviations are disclosed as irregular expenditure.

Remuneration of Councillors:

The remuneration of the political office bearers and councillors are within the upper limits as determined by the framework envisaged section 219 of the Constitution.

2020	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	SDL	Total
Executive Mayor						
Nkosi D.P.	784 446	-	44 400	109 404	7 286	945 536
Subtotal	784 446	-	44 400	109 404	7 286	945 536
	784 446	**-**	**44 400**	**109 404**	**7 286**	**945 536**

2020	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	SDL	Total
Speaker						
Mngomezulu M.W	398 473	178 769	44 400	137 836	6 187	765 665
Subtotal	398 473	178 769	44 400	137 836	6 187	765 665
	398 473	**178 769**	**44 400**	**137 836**	**6 187**	**765 665**

2020	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	SDL	Total
Chief Whip						
Sidu L.L	408 958	167 597	44 400	93 832	5 726	720 513
Subtotal	408 958	167 597	44 400	93 832	5 726	720 513
	408 958	**167 597**	**44 400**	**93 832**	**5 726**	**720 513**

2020	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	SDL	Total
Mayoral Committee Members						
Nkosi S.Z	402 520	167 597	44 400	100 270	5 745	720 532
Makhubela N.V	415 396	167 597	44 400	87 394	5 707	720 494
Magagula P	408 784	167 597	44 400	94 006	5 727	720 514
Mnisi-Nkosi N	441 250	167 597	44 400	61 540	5 633	720 420
Subtotal	1 667 950	670 388	177 600	343 210	22 812	2 881 960
	1 667 950	**670 388**	**177 600**	**343 210**	**22 812**	**2 881 960**

2020	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	SDL	Total
MPAC Chairperson						
Gininda S.V	382 322	162 680	44 400	105 719	5 603	700 724
Subtotal	382 322	162 680	44 400	105 719	5 603	700 724

Figures in Rand | 2020 | 2019

31. Remuneration of councillors (continued)

	382 322	**162 680**	**44 400**	**105 719**	**5 603**	**700 724**

2020	**Basic Salary**	**Travel Allowance**	**Cellphone Allowance**	**Pension and Medical Aid**	**SDL**	**Total**
Section 79 Committee Chairpersons						
Mthombeni S.F	222 800	90 754	44 400	49 463	3 300	410 717
Nkosi J.S	219 523	90 754	44 400	52 740	3 310	410 727
Shabangu L.D	272 263	90 754	44 400	-	3 893	411 310
Thomo N.G	213 304	90 754	44 400	58 959	3 328	410 745
Ngwenya R.D	318 585	-	44 400	44 432	3 223	410 640
Subtotal	1 246 475	363 016	222 000	205 594	17 054	2 054 139
	1 246 475	**363 016**	**222 000**	**205 594**	**17 054**	**2 054 139**

2020	**Basic Salary**	**Travel Allowance**	**Cellphone Allowance**	**Pension and Medical Aid**	**SDL**	**Total**
Councillors						
Cindi N.R	186 186	70 718	44 400	25 967	2 634	329 905
Dludlu Z.M	248 248	-	44 400	34 622	2 609	329 879
Lubede E.J	186 186	70 718	44 400	25 967	2 634	329 905
Mbhele J.S	186 186	70 718	44 400	25 967	2 634	329 905
Motaung R.M	248 248	-	44 400	34 622	2 609	329 879
Ngubeni A	186 186	70 718	44 400	25 967	2 634	329 905
Nkosi A.D	186 186	70 718	44 400	25 967	2 634	329 905
Nkosi G.J	166 770	70 718	44 400	45 383	2 689	329 960
Nkosi V.L	152 701	70 718	44 400	59 452	2 730	330 001
Sikhakhane N.B	186 186	70 718	44 400	25 967	2 634	329 905
Mthembu M.S	186 186	70 718	44 400	25 967	2 634	329 905
Malaza M.A	186 186	70 718	44 400	25 967	2 634	329 905
Nkosi B.G	186 186	70 718	44 400	25 967	2 634	329 905
Nkosi T	186 186	70 718	44 400	25 967	2 634	329 905
Nkosi T.B	186 186	70 718	44 400	25 967	2 634	329 905
Shongwe J.D	186 186	70 718	44 400	25 967	2 634	329 905
Jele J.J	186 186	70 718	44 400	25 967	2 634	329 905
Nkosi T.J	248 248	-	44 400	34 622	2 609	329 879
Nhlabathi N.C	186 186	70 718	44 400	25 967	2 634	329 905
Khumalo M..J	186 186	70 718	44 400	25 967	2 634	329 905
Mkhwanazi H.L.Z	186 186	70 718	44 400	45 383	2 689	349 376
Zulu G.G	166 770	70 718	44 400	25 967	2 634	310 489
Ngoma Z.S.G	186 186	70 718	44 400	25 967	2 634	329 905
Van der Walt L	186 186	70 718	44 400	51 821	2 708	355 833
Ntjana M.L	160 332	70 718	44 400	25 967	2 634	304 051
Matshaba K.A	186 186	70 718	44 400	42 106	2 680	346 090
Hlabathi P.Z	170 047	70 718	44 400	25 967	2 634	313 766
Zwane F.C	186 186	-	44 400	60 257	2 683	293 526
Ndebele J.C.H	222 613	70 718	44 400	25 967	2 634	366 332
Nkosi S.P	186 186	70 718	44 400	25 967	2 634	329 905
Zulu W	245 642	-	44 400	37 228	2 617	329 887
Mbuli T.G	186 186	70 718	44 400	25 967	2 634	329 905
Mnisi S.T	186 186	70 718	44 400	25 967	2 634	329 905
Kgwedi T.H	195 677	59 803	44 400	27 390	2 628	329 898
Nkosi D	248 248	-	44 400	34 622	2 609	329 879
Dube S.N	248 248	-	44 400	34 622	2 609	329 879
Subtotal	7 004 070	2 039 907	1 598 400	1 139 371	95 051	11 876 799
	7 004 070	**2 039 907**	**1 598 400**	**1 139 371**	**95 051**	**11 876 799**

Figures in Rand	2020	2019

31. Remuneration of councillors (continued)

2019	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	SDL	Total
Executive Mayor						
Nkosi D.P	721 857	-	44 400	105 891	6 691	878 839
Subtotal	721 857	-	44 400	105 891	6 691	878 839
	721 857	**-**	**44 400**	**105 891**	**6 691**	**878 839**

2019	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	SDL	Total
Speaker						
Mngomezulu M.W	371 494	165 550	44 400	125 156	5 694	712 294
Subtotal	371 494	165 550	44 400	125 156	5 694	712 294

2019	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	SDL	Total
Chief Whip						
Sidu L.L	375 799	155 203	44 400	89 811	5 287	670 500
Subtotal	375 799	155 203	44 400	89 811	5 287	670 500
	375 799	**155 203**	**44 400**	**89 811**	**5 287**	**670 500**

2019	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	SDL	Total
Mayoral Committee Members						
Nkosi S.Z.	369 768	155 203	44 400	95 842	5 304	670 517
Makhubela N.V.	381 830	155 203	44 400	83 780	5 270	670 483
Magagula P	375 639	155 203	44 400	89 971	5 288	670 501
Mnisi-Nkosi N	406 046	155 203	44 400	59 563	5 200	670 412
Subtotal	1 533 283	620 812	177 600	329 156	21 062	2 681 913
	1 533 283	**620 812**	**177 600**	**329 156**	**21 062**	**2 681 913**

2019	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	SDL	Total
Councillors						
Cindi N.R	171 331	65 488	44 400	25 133	2 451	308 803
Ginidza S.V	355 759	152 085	44 400	100 496	5 226	657 966
Dludlu Z.M	228 441	-	44 400	33 511	2 421	308 773
Lubhede E.J	171 331	65 488	44 400	25 133	2 451	308 803
Mbhele J.S	171 331	65 488	44 400	25 133	2 451	308 803
Motaung R.M	228 441	-	44 400	33 511	2 421	308 773
Mthombeni S.F	204 685	84 043	44 400	47 444	3 063	383 635
Ngubeni A.	171 331	65 488	44 400	25 133	2 451	308 803
Nkosi A.D	171 331	65 488	44 400	25 133	2 451	308 803
Nkosi G.J	153 147	65 488	44 400	43 317	2 503	308 855
Nkosi J.S	201 690	84 043	44 400	50 438	3 072	383 643
Nkosi V.L	140 646	65 488	44 400	55 818	2 539	308 891
Shabangu L.D	236 318	84 043	44 400	-	3 480	368 241
Sikhakhane N.B	171 331	65 488	44 400	25 133	2 451	308 803
Simelane J.D	123 980	-	23 648	16 427	1 326	165 381
Thomo N.G	195 746	84 043	44 400	56 383	3 089	383 661
Thabede M.J	41 067	15 742	11 100	6 160	591	74 660
Mthembu M.S	171 331	65 488	44 400	25 133	2 451	308 803
Malaza M.A	171 331	65 488	44 400	25 133	2 451	308 803
Nkosi B.G	165 186	65 488	44 400	31 278	2 469	308 821

Figures in Rand					2020	2019
31. Remuneration of councillors (continued)						
Ngwenya R.D	293 166	-	44 400	43 005	2 981	383 552
Nkosi T.S	171 331	65 488	44 400	25 133	2 451	308 803
Nkosi T.B	171 331	65 488	44 400	25 133	2 451	308 803
Shongwe J.D	180 457	54 993	44 400	26 502	2 446	308 798
Jele J.J	171 331	65 488	44 400	25 133	2 451	308 803
Nkosi T.J	171 331	65 488	44 400	25 133	2 451	308 803
Nhlabathi N.C	171 331	65 488	44 400	25 133	2 451	308 803
Khumalo M.J	171 331	65 488	44 400	25 133	2 451	308 803
Mkhwanazi H.L.Z	153 147	65 488	44 400	43 317	2 503	308 855
Zulu G.G	171 331	65 488	44 400	25 133	2 451	308 803
Ngoma Z.S.G	171 331	65 488	44 400	25 133	2 451	308 803
Van Der Walt L.	135 941	65 488	44 400	60 523	2 553	308 905
Ntjana M.L	171 331	65 488	44 400	25 133	2 451	308 803
Matsaba K.A	156 141	65 488	44 400	40 323	2 495	308 847
Hlabathi P.Z	180 457	54 993	44 400	26 502	2 446	308 798
Zwane F.C	204 313	-	44 400	57 639	2 491	308 843
Ndebele J.C.H	155 478	65 488	44 400	40 986	2 496	308 848
Nkosi S.P	171 331	65 488	44 400	25 133	2 451	308 803
Zulu W.	213 252	-	44 400	48 700	2 465	308 817
Mbuli T.G	171 331	65 488	44 400	25 133	2 451	308 803
Mnisi S.T	171 331	65 488	44 400	25 133	2 451	308 803
Kgwedi T.	210 189	-	40 700	30 773	2 227	283 889
Nkosi D.	173 686	-	33 300	25 297	1 838	234 121
Dube S.	37 964	-	7 400	5 695	401	51 460
Subtotal	7 795 917	2 382 161	1 847 748	1 426 705	108 562	13 561 093
	7 795 917	**2 382 161**	**1 847 748**	**1 426 705**	**108 562**	**13 561 093**

32. Depreciation and Amortisation

Property, plant and equipment	45 677 344	48 476 425

33. Impairment loss

Impairment loss	11 182 563	-

34. Finance costs

Rehabilitation of landfill sites	921 383	9 949 759
Finance leases	1 009 161	681 836
Other interest paid	272 709	1 266 594
	2 203 253	**11 898 189**

35. Rehabilitation provision movement

Landfill site	921 383	10 188 618

36. Debt impairment

Debt impairment	166 870 737	102 220 049

37. Bulk purchases

Electricity - Eskom	84 615 784	73 515 473

Figures in Rand	2020	2019

37. Bulk purchases (continued)

Electricity distribution losses are based on units per invoices recerived from Eskom and units sold per prepaid reports and debtors system. It was determined to be R16 662 897,95 ((2019: R4 601 070.46) and 26 676 023,53 units (2019:23 983 247.69)

Water distribution losses are based on the kilolitres of water produced (7 991 236) and total water distributed (4 191 360) and the estimated loss (3 799 876) which is 47,56%

38. Contracted services

Presented previously		
Consultants and Professional Services	22 763 858	22 235 900
Outsourced Services	48 220 821	16 639 356
Contractors	28 680 312	503 513
Other Contractors	-	967 178
	99 664 991	**40 345 947**

39. General expenses

Advertising	3 232 316	2 332 224
External audit fees	4 715 716	3 733 722
Bank charges	323 195	1 705 136
Commission paid	20 850	36 261
Computer expenses	412 750	1 262 433
Legal expenses	-	4 947 422
Consumables	14 745 642	14 270 252
Entertainment	39 196	86 750
Insurance	282 936	1 001 683
Motor vehicle expenses	4 530 443	4 768 025
Printing and stationery	795 100	1 050 303
License fees	47 942	177 802
Telephone and fax	4 147 624	5 231 526
Transport and freight	1 251 538	5 793 277
Training	2 176 204	3 424 418
RBIG expense (Sheepmoore)	2 146 764	-
Committee costs	3 811 251	4 111 276
EPWP expenditure	2 537 952	-
VIP toilets not capitilised	-	12 714 194
Interview costs	2 308 463	2 398 624
Asset expensed	-	130 299
Hostel charges	-	439 589
Protective clothing	5 611 440	-
Other expenses	1 566 845	9 653 191
	54 704 167	**79 268 407**

40. Fair value adjustments

Investment property (Fair value model)	1 512 000	(17 667 840)

41. Auditors' remuneration

Fees	4 715 716	3 733 722

Figures in Rand	2020	2019
42. Cash generated from operations		
Surplus	67 110 971	186 202 455
Adjustments for:		
Depreciation and amortisation	45 677 344	48 476 425
Gain on sale of assets and liabilities	(224 711)	-
Impairment loss	11 182 563	-
Fair value adjustments	(1 512 000)	17 667 840
Finance costs - Finance leases	1 009 161	681 836
Long service award	924 049	-
Rehabilitation provision movement	921 383	9 949 759
Debt impairment	166 870 737	102 220 049
Acturial interest cost	75 443	-
Other interest paid	272 709	-
Acturial loss on long service	(1 083 926)	1 815 675
Provision for leave	2 467 960	397 129
Interest on long service awards	-	474 148
Donations received	(1 658 860)	(130 848 720)
Fair value adjustment of investment	-	(115 118)
Changes in working capital:		
Inventories	(223 907)	(25 943)
Receivables from exchange transactions	(158 462 155)	(130 098 110)
Other receivables from non-exchange transactions	40 883 494	(28 415 703)
Payables from exchange transactions	36 031 855	20 008 668
VAT	(2 945 664)	1 174 788
Unspent conditional grants and receipts	78 999 999	-
	286 316 445	**95 559 079**

43. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
Infrastructure	274 065 575	413 294 547

Authorised operational expenditure

Already contracted for but not provided for		
Operational	42 647 369	61 198 922

This committed expenditure relates to infrastructure and community assets and will be financed by accumulated surpluses and extended funding

Figures in Rand	2020	2019

44. Contingencies

Litigations in the process against the Municipality relating to civil claims include the following:	2020	2019
Grand Valley Estates (Pty) Ltd	26 680 000	26 680 000
Sifiso Thela	232 384	232 384
I @ Consulting	2 750 131	2 750 131
Minister of Water and Sanitation	4 500 000	4 500 000
Maximum Profit Recovery Pty Ltd	-	2 902 874
Khumalo Mantombi Martha obo Khumalo Sabelo Xolane	10 000 000	10 000 000
EPH Security & Services CC	5 046 096	5 046 096
	49 208 611	**52 111 485**

Grand Valley Estate
This claim stems from the dispute over the farms around Badplaas. The plaintiffs are claiming loss of future income and goodwill while on the other hand the farms are a subject of a land claim in the Land Claims Commission. The Municipality is cited as party for failure to comply with various forms of legislations. The summons has been served to the Municipality on the 6th of July 2010. The plaintiff is suing council for R26 680 000 in respect of damages The matter is before the High Court of South Africa Pretoria under case no. 34502/10. The matter is set down for witness and trial on the 27th of July 2020 to the 28th of August 2020.

Sifiso Thela vs Municipality
Plantiff is suing council in respect of damages suffered as a result of a motor vehicle accident that occurred between his car and that of the council. The potential liability is estimated at R232,384.

I@consulting
On this matter the notice of intent to defend is drafted, Attorneys are awaiting the advocates confirmation on the consultation at the court. The potancial liability is estimated at R2,750,131.

Minister of Water and Sanitation
The Council is sued for R4,500,000 plus mora interest at a rate of 10.5% per annum from the date of issuing summon to the date of payment thereof, in respect of water use charges.

Maximum Profit Recovery Pty Ltd
The applicant was seeking an interdict from Court Mandating Council to honour in terms of service agreement concluded between the parties. The financial exposure is R2,902,874. Settlement have been signed by both parties. Once payment is done in July 2020 the matter will be considered settled. The plaintiff has also withdrawn the matter from court.

Khumalo Mantombi Martha obo khumalo Sabelo Xolane
The Plaintiff is suing Council amount of R10,000,000 in respect of delictual claim. It is alleged that the child of the plantiff was electrocuted and was severe burnt by a live electric cable which carries 400 to 415 volts and as direct consequences thereof, he sustain serious and permanent injuries on his body. The matter is set down for trial on 18 Novemeber 2020.

EPH Security & Security CC
The plaintiff is suing council for an amount of R5 046 096 for services rendered, summons were issued however council is defending the matter because there was a payment plan which was subsequently honoured by the municipality. An application for summary judgement was set down for trial however the plaintiff failed to comply.

Figures in Rand	2020	2019

45. Related parties

Relationships

Accounting Officer	Refer to accounting officer's report, note30 and31
7 Section 57 Senior Managers	Refer to accounting officer's report and note 30
Manger Internal Audit, Manger Rsk Management & Manager PMS	Refer to accounting officer's repor and notet 30
Executive Mayor	Refer to accounting officer's report and note 31
Speaker	Refer to accounting officer's report and note31
Chief Whip	Refer to accounting officer's report and note 31
4 Mayoral Committee Members	Refer to accounting officer's report and note31
42 Councillors	Refer to accounting officer's report and note 31

No transactions were entered into with related parties to the municipality and close family members during the year.

46. Risk management

Financial risk management

Liquidity risk

The municipality’s risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	**2020**	**2019**
Cash and cash equilavents	97 774 418	15 911 968
Receivables from exchange transactions	48 970 913	57 379 495
Receivables from non-exchange transactions	156 176 307	197 059 801
Investments	3 992 116	3 998 516

47. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Figures in Rand	2020	2019

48. Unauthorised expenditure

Opening balance as previously reported	83 120 718	57 690 278
	-	-
Opening balance as	**83 120 718**	**57 690 278**
Unauthorised expenditure	-	25 430 440
Closing balance	**83 120 718**	**83 120 718**

49. Fruitless and wasteful expenditure

Opening balance as previously reported	23 349 887	21 967 954
	-	-
Opening balance as restated	**23 349 887**	**21 967 954**
Eskom - Interest	1 144 150	1 328 252
SARS - Interest and penalties	3 690	17 687
Auditior general	42 175	34 473
Telkom	-	1 521
GEPF	1 316	-
MCPF	20 505	-
Sanlam	65 328	-
NFMW	26 141	-
	-	-
	-	-
Closing balance	**24 653 192**	**23 349 887**

50. Irregular expenditure

Opening balance	433 344 432	393 913 283
Add: Irregular Expenditure - current year	15 000 857	39 431 149
	-	**-**
Closing balance	**448 345 289**	**433 344 432**

Analysis of expenditure awaiting condonation per aging classification

Details of irregular expenditure- current year

	Disciplinary steps taken/criminal proceedings		
Advert for less than prescribed period	None	-	2 546 655
Bid adjudication committee not complying with regulation 29(2)	None	3 136 912	1 925 046
Procurement processes not followed	None	657 775	12 601 022
Local content not implemented	None	11 206 170	22 358 426
		15 000 857	**39 431 149**

51. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	7 332	5 682
Current year subscription / fee	93 014	89 530
Amount paid - current year	(93 014)	(82 198)
Amount paid - previous years	(7 332)	(5 682)
	-	**7 332**

Figures in Rand	2020	2019

51. Additional disclosure in terms of Municipal Finance Management Act (continued)

Audit fees

Opening balance	863 303	951 742
Current year subscription / fee	5 484 767	5 405 112
Amount paid - current year	(5 484 767)	(4 541 809)
Amount paid - previous years	(863 303)	(951 742)
	-	**863 303**

PAYE and UIF

Opening balance	2 779 579	4 734 003
Current year subscription / fee	30 362 947	28 964 899
Amount paid - current year	(30 362 947)	(26 185 320)
Amount paid - previous years	(2 779 579)	(4 734 003)
	-	**2 779 579**

Pension and Medical Aid Deductions

Opening balance	2 552 996	9 339 628
Current year subscription / fee	49 964 107	46 654 894
Amount paid - current year	(49 964 107)	(44 101 898)
Amount paid - previous years	(2 552 996)	(9 339 628)
	-	**2 552 996**

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2020:

30 June 2020	**Outstanding less than 90 days R**	**Outstanding more than 90 days R**	**Total R**
Shabangu L.D	15 093	41 025	56 118
Malaza M	1 465	13 566	15 031
Ngoma Z	935	1 374	2 309
Van der Walt L	7 391	23 963	31 354
Zulu W	1 303	24 782	26 085
	26 187	**104 710**	**130 897**

30 June 2019	**Outstanding less than 90 days R**	**Outstanding more than 90 days R**	**Total R**
Shabangu L.D	15 441	38 100	53 541
Malaza M.A	951	13 802	14 753
Van der Walt L	83	2 159	2 242
Jele J.J	32	1 087	1 119
Ngoma Z	843	1 544	2 387
Zulu W	700	26 886	27 586
	18 050	**83 578**	**101 628**

52. Budget differences

Material differences between budget and actual amounts

Figures in Rand	2020	2019

52. Budget differences (continued)

Service charges
The COVID 19 Pandemic had a significant impact on the municipal collection of the Revenue. Due to the implemenation of the National State of Disaster credit control mechanisms could not be thoroughly enforced

Rental income
Significant increase in Rental income is mainly due to the newly signed lease agreement from telecommunications giant Vodacom as a means of widening its spectrum and network provisions

License and permits
Increases in licence and permits had a major increase as result of fees form permits for local businesses. This was an important method of effecting control of essential services businesses allowed to trade during the national state of disaster

Interest received: consumers
The failure of businesses and consumers to ensure timely payment for services consumed had a negative bearing which resulted in the increased in the debtors age analysis. In line with the Municipal Credit Control and Debt collection policy, outstanding payments on municipal services beyond a period of 30 days attracts interest charges

Other income
Other income enbodies revenue from clearance certificates, proof of reseidents, sale of stands and rental of municipal facilities and the sale tender documents. The major reduction in other income is as a result of the restrictions imposed on physical activities during to the State of national lockdown

Interest received- investments
The Municipality has interest bearing call accounts which yield positive returns up to 6.5% per annum. The significant increase in interest received from investments is due to the positive balances of all call accounts throughout the course of the financial year. At year end the final balance of municipal interest bearing call accounts had a positive balance of R97 491 844.00

Gain on disposal of assets
Gains on disposal are as a result of the unanticipated disposal of the Municipal Cultural centre

Fair value adjustments
Increases in market values of municipal investment property subsequent to an independent market valuation

Property rates
The COVID 19 Pandemic had a significant impact on the municipal collection of the Revenue. Due to the implemenation of the National State of Disaster credit control mechanisms could not be thoroughly enforced

Grants and subsidies
Reduced allocations due to reprioritiation of funds from the National Government. There was a reduction of the Regional Bulk Infrastructure Grant (RBIG) from R187 000 000.00 to R130 000 000.00 during the course of the financial year

Donations
Unanticipated donations from the Gert Sibande District Municipality. Donations were in aid of support received as a means of increasing water supply throughout the municipal jurisdiction

Fines
The appointment of a new service provider for the traffic management system had a major impact on the increased revenue

Remuneration of councillors
Implementation of the upper limits for the 2019/20 financial year

Bulk purchases
Reduction in interest and penalties due the municipality effecting timely payments to Eskom. The implementation of the upgrading of silobela sub-station also had a major impact in terms of the reduction of notified maximum demand.

Contracted services
The reduction in spending on contracted services is as a result of less expenditure as a result of the state of national lockdown

Figures in Rand	2020	2019

52. Budget differences (continued)
General expenses
Savings on General Expenses is as a result of less expenditure on result of the state of national lockdown

53. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

2019

	Note	As previously reported	Correction of error	Restated
Land	10	115 551 700	217 000	115 334 700
Unspent conditional grants	13	857 134	(857 134)	-
Retention	11	40 738 509	(16 208 511)	24 529 998
1% Social responsibility	11	8 734 544	(6 905 977)	1 828 567
Legal proceedings	14	171 219	(171 219)	-
Accumulated surplus		1 211 296 882	23 925 841	1 235 222 723
		1 377 349 988	**-**	**1 376 915 988**

Land

Land that does not belong to the municipality was previously included in the fixed asset register

1.Effect of adjustment		
Decrease in land	-	(217 000)
Decrease in Accummulated Surplus	-	217 000
	-	**-**

Unspent condtional grants

Unspent conditional grants that were spent in the prior year but not recognised as revenue.

2.Effect of adjustment		
Decrease in unspent conditional grants	-	(857 314)
Increase in accumulated surplus	-	857 314
	-	**-**

Retention

Unclaimed retentions outstanding for 36 months

3.Effect of adjustment		
Decrease in retention	-	(16 208 511)
Increase in accumulated surplus	-	16 208 511
	-	**-**

Figures in Rand	2020	2019

53. Prior-year adjustments (continued)

1% Social responsibility

Prior year unclaimed 1% social responsibility

4.Effect of adjustment		
Decrease in 1% social responsibility	-	(6 905 977)
Increase in accumulated surplus	-	6 905 977
	-	**-**

Legal proceedings

Legal proceedings provision that was erraneously disclosed in the Annual Financial Statements.

5.Effect of adjustment		
Decrease in provisions	-	(171 219)
Increase in accumulated surplus	-	171 219
	-	**-**